Boothbay Register.

THURSDAY, MARCH 10, 2005

Social Security: It's All About Values

By U.S. Representative
Tom Allen

Congress just completed a week-long recess. Like most of my colleagues, I spent most of the time traveling through my district to listen to my constituents. The President's plan to privatize Social Security was topic #1 for many. At forums on Social Security that I hosted in Bangor and Portland, hundreds of people turned out.

In Portland, Congressman Mike Michaud and I had invited a panel of experts to shed light on the topic. They provided the standing-room only audience with evidence about the likely impact of the President's plan on the financial security of individuals and families and the fiscal health of the nation. That information is certainly important, but on this issue I learned that people view the facts through the filter of values.

If you believe in sharing the risk against poverty, which was the underlying purpose of the program envisioned by President Franklin Delano Roosevelt, the panelists' evidence is compelling. But if you share President Bush's view that society is better off if we each fend for ourselves, their arguments and data will fall on deaf ears. If you are drawn to aspects of both philosophies, their persuasive evidence may tip you against privatization.

Panelist James Roosevelt, Jr., grandson of Social Security's founder and a former Associate Commissioner for Retirement Policy with the Social Security Administration, summarized that program's guiding principles: Social Security is a success because it is insurance that protects against the risk that we or our families will be stranded in poverty because of old age, disability or the loss of a supporting spouse or parent. It works, he said, because it is "simple, guaranteed, fair, earned, and available to all Americans." Like his grandfather, Mr. Roosevelt believes that private investment is a wise addition to one's personal financial security plan, but it is not and should not be the purpose of Social Security.

Charles Lawton, an economist who writes for The Maine Sunday Telegram and who served as Director of Economic Development with the Maine State Planning Office, described how he, his 7 siblings and his widowed mother survived thanks to the Social Security survivorship benefits that his father, who died at the age of 49, had earned. Because of that steady stream of basic income, his mother lived a productive life to the age of 86 and all the children are now gainfully employed. If you agree, Lawton said, that we all benefit if we provide for those who, through no fault of their own, need such help, you will probably be appalled by the President's plan. But if you believe that he and his family were freeloaders, or that such government programs instill dependence or undermine personal responsibility, you may prefer the President's plan to divert some payroll taxes to private accounts.

One member of the audience, a 38-year old man, vigorously defended the latter point of view. If he were allowed to invest his payroll taxes in reliable stocks like Coca Cola, he claimed, he could create a nest egg of $600,000 by the time he retired. "What happens if you become disabled?" he was asked. "I have disability insurance," he responded. Aside from the details of whether his private insurance would last a lifetime or would protect his wife and children (as Social Security does), or whether some other unforeseen calamity might strike (such as a dive in the stock market just as he is ready to retire, or the bankruptcy of his private insurer), his position raises a more fundamental issue. As I said to him then, there is no question that some individuals may come out ahead under a privatization scheme. But, I said, "Most of us are coming from a different place. This is not about 'I.' It's more about 'We.' "

Not everyone has the means or ability to prepare for the future as well as some believe, and none of us can protect our families against all the misfortunes that can sweep us into poverty. If you agree that our country is better off if we work together to minimize the risks of poverty, then you should be concerned about the fundamental problems with the President's plan to re-design Social Security described by our panelists. These include:

- Despite the President's alarmist rhetoric, Social Security is not in "crisis." There is enough money in the system to provide full scheduled benefits until at least 2042, and about 80 percent of full benefits after that. With a few adjustments similar to what has been done in the past (such as raising the income cap or the retirement age, and expanding Social Security coverage to all employees), the solvency problems would be cured without fundamentally changing the nature of the program.
- The solvency problems that do exist cannot be solved by private accounts. In fact, the transition costs to a system of private accounts would increase the national debt by $5 trillion in the first 20 years alone.
- Any plan for private accounts will be accompanied by a sharp reduction in Social Security's guaranteed benefits.

As Dave Barber, a retired pediatrician from Bath who spoke on behalf of AARP, noted: Physicians are guided by a principle that those who would redesign Social Security should heed: "First do no harm." Privatization would do great harm.